

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-07 ISO-00 IO-10 PA-01 PRS-01 USIA-06

L-03 H-02 SP-02 AID-05 EB-07 NSC-05 CIEP-01 SS-15

STR-04 OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7859

INFO AMEMBASSY BRUSSELS PRIORITY

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USADB

E.O. 11652: ADS, DECLAS 12/31/76

TAGS: EAID, EFIN

SUBJECT: ADOPTION OF ADB RENTAL SCHEME

TREASURY FOR ZINMAN

BRUSSELS PASS BUSHNELL AND PAPP

REF: A) TRSY 75-152; B) MANILA 13260; C) TRSY 75-160

1. REF A NOT REPEAT NOT RECEIVED.

2. SEVERAL INFORMAL SESSIONS WERE HELD AMONG DIRECTORS/
ALTERNATES IN RECENT WEEKS TO EXPLORE RAMIFICATIONS OF
MANAGEMENT PROPOSALS RE TRAVEL BENEFITS, SALARIES AND
RENTAL SUBSIDY. IN THESE DISCUSSIONS, U.S. ALTERNATE
DIRECTOR'S COMMENTS FOCUSED ON (A) TEMPORARY NATURE OF
ANY RENTAL SUBSIDY SCHEME (I.E., LIMIT OF ONE YEAR), AND
(B) NECESSITY FOR MANAGEMENT TO ADDRESS BASIC PROBLEM
WITHOUT DELAY, AND (C) AVOIDANCE OF LEAP-FROGGING

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EFFECTS VIS-A-VIS OTHER IFIS.

3. AT SEPTEMBER 18 EXECUTIVE SESSION NO REPEAT NO DIRECTOR OPPOSED RENTAL SUBSIDY PER SE. HOWEVER, ALL DIRECTORS HAD PROBLEMS WITH MANAGEMENT PROPOSAL IN VARYING DEGREES. KOREAN DIRECTOR, WHO WAS LAST TO SPEAK AND THUS SPOKE TOO LATE TO HAVE MUCH EFFECT ON DISCUSSIONS, SOUGHT AND RECEIVED ASSURANCE ANY SUBSIDY PAYMENTS THIS YEAR WOULD STILL PERMIT 1975 BUDGET TO BE CONTAINED. PRESIDENT SAID HE FELT THIS COULD BE DONE UNLESS INTERNATIONAL SCHOOL MATTER NEEDS RESOLUTION THIS YEAR. KOREAN DIRECTOR URGED MOST RESTRICTIVE SUBSIDY; THAT MEASURE SHOULD BE CONSIDERED TEMPORARY AND EXTRA-ORDINARY; THAT MANAGEMENT MUST SERIOUSLY ADDRESS ONGER-TERM SOLUTION WITHOUT DELAY.

4. ONE OF FIRST SPEAKERS WAS JAPANESE DIRECTOR WHO SUGGESTED FORMULA OF FAIRNESS, SIMPLICITY AND LEAST COST TO BANK. HE PROPOSED SUBSIDY BE APPLIED FOR RENTAL IN EXCESS OF 15 PERCENT BUT NOT MORE THAN 30 PERCENT OF BASE SALARY (OR 6,000 PESOS WHICHEVER WAS LOWER) AND THAT SUBSIDY RATE SHOULD NOT EXCEED 50 TO 60 PERCENT. DIRECTORS FROM BANGLADESH AND INDONESIA GENERALLY SUPPORTED JAPANESE PROPOSAL. ALTHOUGH STRONGLY IN FAVOR OF SUBSIDY TO ADDRESS SERIOUS HARDSHIPS, AUSTRALIAN DIRECTOR STRESSED THAT SUBSIDY SHOULD BE TEMPORARY AND SHOULD NOT BE SO HIGH AS TO CREATE DISINCENTIVE FOR PROFESSIONAL STAFF TO BARGAIN WITH LANDLORDS ON RENTALS. UNITED KINGDOM DIRECTOR TOOK RELATIVELY CONSERVATIVE APPROACH AND SUPPORTED TEMPORARY NATURE OF MEASURE, BUT DID FAVOR 60-40 FORMULA RATHER THAN 50-50.

5. DESPITE FACT THAT U.S. ALTERNATE DIRECTOR HAD RECEIVED NO GUIDANCE, HIS REMARKS WERE AIMED AT MOVING CONSENSUS IN DIRECTION OF JAPANESE LEAST-COST PROPOSAL AND KOREAN DIRECTOR'S EMPHASIS ON TEMPORARY AND EXTRA-ORDINARY NATURE OF ANY SUCH MEASURE.

6. WHILE CANADIAN DIRECTOR PREFACED HIS REMARKS WITH VIEW THAT MANAGEMENT WAS BEING TOO GENEROUS, HIS SUBSEQUENT COMMENTS VEERED TOWARD BEING SLIGHTLY MORE LIMITED OFFICIAL USE

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GENEROUS THAN THE JAPANESE PROPOSAL, AT WHICH TIME HE RECEIVED SUPPORT FROM FRENCH DIRECTOR. FYI: BELIEVE CANDIAN DIRECTOR CONCERNED THAT BANK'S PROFESSIONAL SALARIES/BENEFITS SHOULD BE SUFFICIENT TO ATTRACT CANADIAN PERSONNEL. AT PRESENT, THERE IS ONLY ONE CANADIAN PROFESSIONAL ON BANK STAFF. END FYI.

7. FOR TREASURY: PLEASE REPEAT REF A. SULLIVAN

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